



This is a special issue of The City Source and is intended to provide citizens with information about the Proposed Fiscal Year 2008 Budget as presented by City Manager Kim Payne to City Council on March 7.

There will be a Public Hearing on the proposed budget on Tuesday, March 27 at 7:00 p.m. in the Council Chamber, 900 Church Street. The meeting will also be broadcast live on Cable Channel 7.

You may review the complete budget document at www.lynchburgva.gov or at the Lynchburg Public Library at 2315 Memorial Avenue or at its downtown branch at 900 Church Street.

How is the Budget Prepared?

City departments and City Schools began budget preparation in the Fall of 2006. Current revenues and expenditures are analyzed and compared to the adopted FY 2007 Budget and information is gathered on significant events that might affect either costs or revenues. Budgets proposed by the Federal and State governments are closely monitored and resources required to address identified priorities are considered.

When City departments begin preparing their budget submission they must start at zero. Merely proposing incremental additions to a previous year's budget is not acceptable. In a zero-based approach, the fact that a dollar was spent the year before is not relevant to a request for that same dollar in the new fiscal year. Each dollar must be justified as supporting the functions and operations of the department.

After the submission of departmental budget requests, Budget Office staff conduct a line item review of each budget. In addition, the

City Manager meets with selected departments to discuss the submissions. During those meetings additional information is provided or requested for later review to further justify proposed spending.

Balancing the General Fund Budget

The initial compilation of anticipated revenues and requested expenditures, without adjustment, resulted in a budget in which expenditures exceeded revenues by approximately \$4 million.

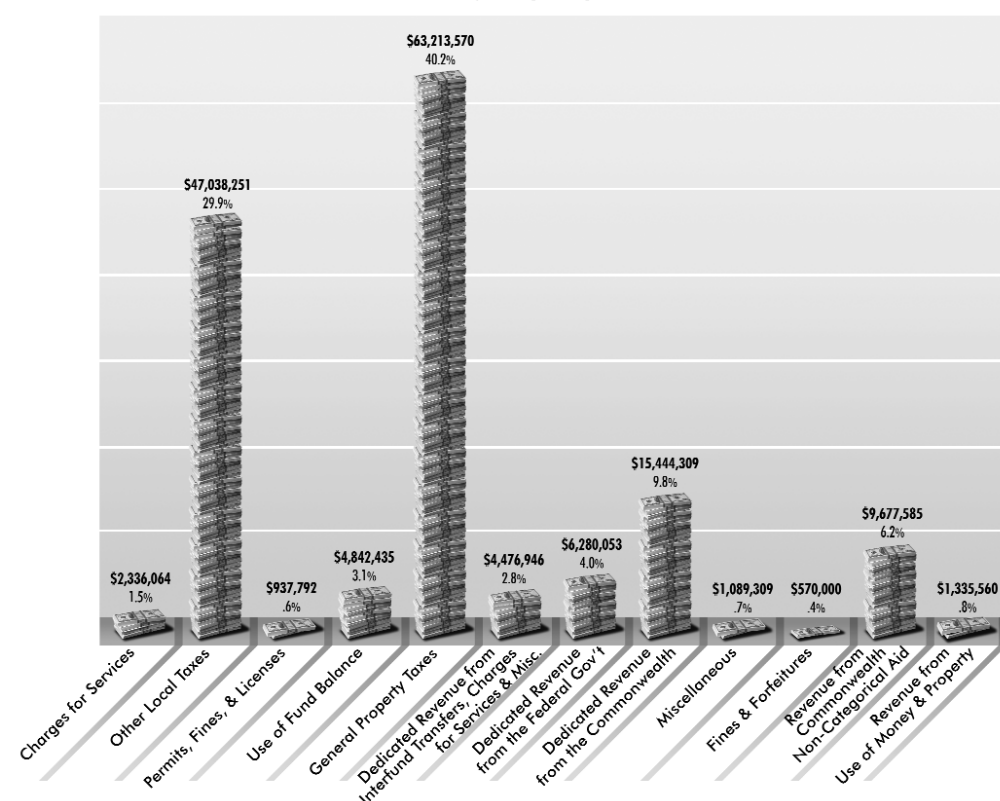
The process of balancing the budget required a serious consideration of requirements versus priorities and other wants followed by hard choices and selected adjustments based on the latest information. A number of actions were taken to close the "gap" including not recommending a number of requested positions, reducing the proposed subsidy to the Greater Lynchburg Transit Company, operational cost reductions, and various other adjustments to budget requests.

Where Does the Money Come From?

The Revenues for FY 2008 are projected to be \$152.4* million with seventy percent (70.0%) of total General Fund revenues being generated by six local taxes, the Real Property Tax (\$47.7 million), the Personal Property Tax (\$19.0 million, including the state reimbursement), the Local Sales Tax (\$15.5 million), the Meals Tax (\$10.3 million), Consumer Utility Taxes (\$6.6 million) and the Business License Tax (\$7.5 million).

FY 2008 REVENUES & USE OF FUND BALANCE

\$157,241,874

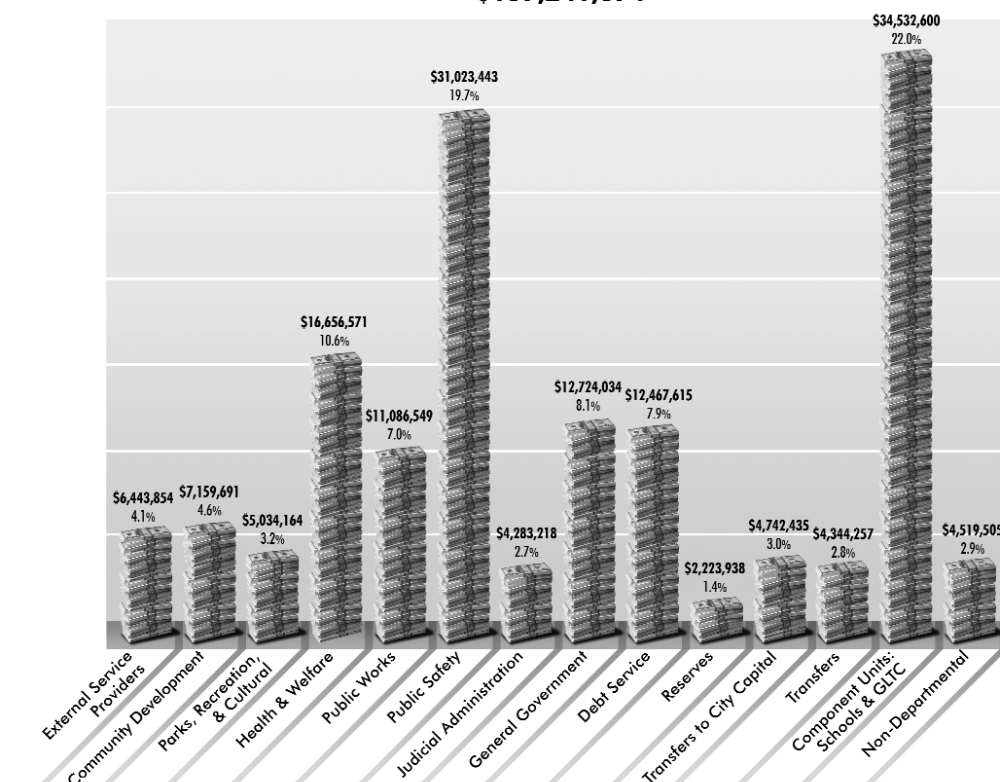


Where Does the Money Go?

The Proposed General Fund expenditures for FY2008 are \$157.2 million*. The General Fund finances all government activities with the exception of the Airport, Solid Waste Management, Water, and Sewer utility operations. All major funds contribute to the operations of the Fleet Internal Services Fund.

FY 2008 EXPENDITURES, RESERVES & TRANSFERS

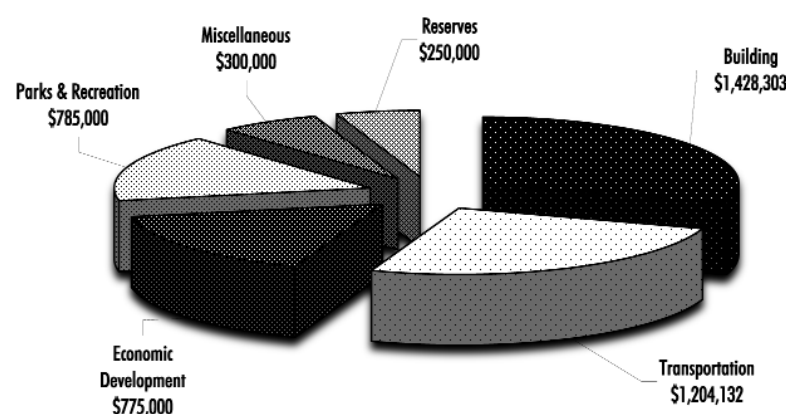
\$157,241,874



* NOTE: The difference between \$157.2 million in expenditures compared to \$152.4 million in revenues is explained by the use of fund balance, in an amount of \$4.8 million, for one time purposes as allowed by adopted financial policy.

PAY-AS-YOU-GO CAPITAL PROJECTS

\$4,742,435

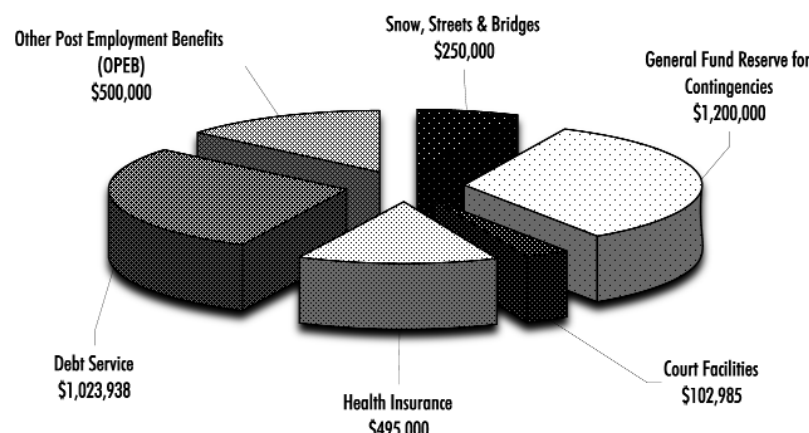


Debt Service

The City finances a large component of the Capital Improvement Program (CIP) with general obligation bonds. To provide funding for some of the projects in the FY 2008-2012 CIP a bond sale is planned for the Spring of 2008. Because of the timing of that sale, additional debt service will not accrue in FY 2008 but will need to be budgeted in FY 2009. Although spending on some major debt-financed projects will start in FY 2008 it will be funded by temporary borrowing until permanent financing is put into place. This approach will allow for progress on the new Juvenile and Domestic Relations Court building, renovations to Sandusky Middle School, the Ivy Creek Nature Center, various transportation projects and continued work downtown and on the riverfront. A Reserve for Debt Service (*see Reserves chart below*) is included in the proposed budget to offset the impact of additional debt service in FY 2009.

RESERVES

\$3,571,923



Alternative Budget Proposal with Reduced Real Property Tax Rate

City Council directed the City Manager to prepare an alternative proposed budget that provided for a three cent (\$0.03) reduction in the Real Property Tax rate from \$1.11 to \$1.08 per hundred dollars (\$100) of assessed value. Such a rate reduction would require eliminating approximately \$1.242 million in planned expenditures. The City Manager has proposed the following actions to cover the rate reduction:

- Defer the establishment of Emergency Medical Dispatch (\$295,000).
- Defer placing the fifth medic unit in service (\$270,000).
- Reduce Schools funding (\$250,000).
- Eliminate a portion of the Debt Service Reserve (\$200,000) and defer capital projects.
- Reduce the number of proposed new positions (\$227,000).

City Council will make the final decision regarding the reduction in the Real Property Tax rate and will also decide which reductions are appropriate. The reduction in the Real Property Tax rate will be open for public comment during the March 27 public hearing.

Q&A

What is the City Budget?

The City Budget is a plan of financial operation for the City of estimated revenues (income) and expenditures (expenses).

What is a proposed budget?

The proposed budget is the document formally submitted by the City Manager to the City Council for consideration.

What is the Adopted Budget?

The budget formally adopted by City Council for the upcoming fiscal year is called the Adopted Budget.

What is the City's Fiscal Year?

The City's Fiscal Year is the 12 month period during which the annual operation budget applies—July 1 to June 30.

Budget Terms & Definitions

Appropriation: An appropriation is the legal authorization of funds approved by City Council for budget revenues and expenditures.

Capital Improvements Program: A five-year plan for future capital expenditures (i.e., Juvenile and Domestic Relations Court, Sandusky Middle School).

Debt Service Fund: Payment of principle and interest related to City's long term borrowing.

Enterprise Fund: Accounts for operations that are financed and operated in a manner similar to that of a private business (i.e., Water and Sewer Fund).

Expenditures: Cost of goods delivered or services rendered by the City.

General Fund: Accounts for all revenue and expenditures that fund City operations and outside agencies.

Revenue: Various sources of income received by the City, such as taxes and permits that is deposited into the treasury for public use.